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Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

ARE THE OWNERS OF REAL ESTATE BEING TREATED FAIRLY?

THE forgotten man whose welfare moved the present Administration to such outbursts of political eloquence in 1933 has not been mentioned recently. He is now employed in a defense plant, making more than he can spend on necessities with the ration points the government allows him. A large part of the 40 billion dollar surplus of income which is referred to generally as the "inflation gap" is in his hands. He has been remembered but slightly by the government when apportioning war taxes.

The real forgotten man today is the owner of real estate. The Administration is shedding no tears on his behalf, however, as tenants have many votes and landlords have few.

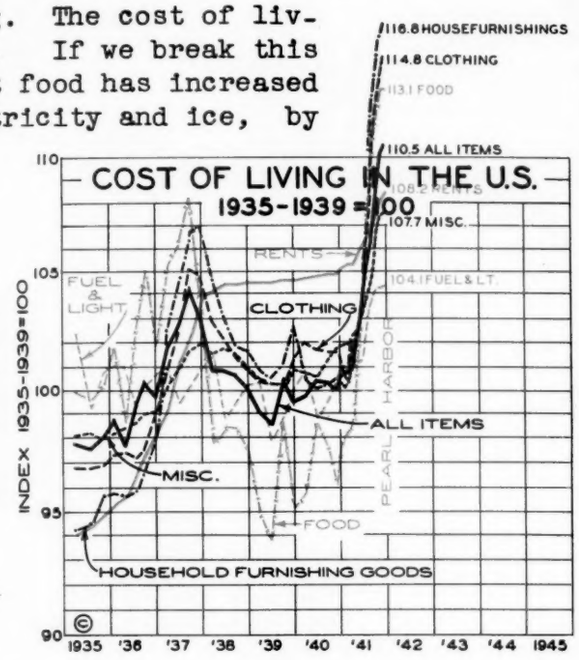
The contribution of the owner of real estate to the war effort has been one of the greatest of all civilian groups. The price of the product he sells has been frozen and the cost of keeping the product on the market has increased tremendously. With all of his problems intensified, he, almost alone, has been refused an increase in the selling price of his product. Furthermore, he has been told, if he finds the strain of ownership too great under these conditions, he can sell his property only under terms which are designed primarily to make sales almost impossible. No black market exists in real estate and he does not have the opportunity, of which many other groups have availed themselves, of disposing of his product at a price higher than the ceiling. Certainly, his financial contribution to the war is far greater than that of the defense worker who, by actual government figures, is making far more than he ever made before in his life.

The foregoing are generalizations which are worth little unless they can be substantiated. Let us turn from generalities to a study of actual figures.

Residential rent is the only item of the cost of living which today is below the level of Pearl Harbor. This statement is based on the official figures compiled by the Bureau of Labor Statistics of the Department of Labor. Since Pearl Harbor, according to these figures, rents have dropped 1/10 of one per cent, while the cost of living has advanced 13.1%. The cost of living in the government figures is made up of the cost of foods; clothing; electricity, fuel and ice; house furnishings; rent; and miscellaneous items. Since Pearl Harbor food has increased 26.3%; clothing, 11.2%; fuel, electricity and ice, 3.2%; house furnishings, 6.8%; and miscellaneous items in the budget, 7.0%.

If the contrast between the behavior of rents and the other items in the cost of living is studied from the beginning of the war in Europe in September

1939, the divergence is still more striking. The cost of living in this period has increased by 24.7%. If we break this down, in the government figures we find that food has increased by 45.5%; clothing, by 27.0%; fuel, electricity and ice, by 9.1%; house furnishings, by 23.4%; the miscellaneous items in the budget, by 13.9%; and rent, by 3.4%.



But this does not give the entire picture. At the time that the war in Europe started in September 1939 rents were still far below all of the other elements in the cost of living in their recovery to a long-term normal. This is shown quite strikingly on the large chart on pages 211 and 212 in this report. This fact has been concealed, however, by the fact that the government in all of its cost of living figures since the war has changed their base from the one formerly used to 1935-1939 = 100. This base was apparently selected with the thought that it represented pre-war. On this basis the cost of living in September 1939 was given as 100.6. The component parts of this index were as follows: food 98.4; clothing 100.3; rent 104.4; fuel, electricity and ice 98.6; house furnishings 101.1; miscellaneous 101.1. This created the impression that rents were unusually high and that property owners were profiteers. The chart above shows these figures, using the 1935-1939 base. The heavy black line on this chart shows the total cost of living; the heavy red line, the cost of rent. Although these figures have changed much since the war, the clear implication of these figures, used daily in Washington by public housing officials, labor leaders and government officials to make a case for rent control and government housing, is that rents have been much too high.

The fallacy lies in selecting as a base a period in which all items except rent had advanced by a considerable percentage. The large chart on pages 211 and 212 uses the same government figures but converts them to a base period of 18 years, the period--1921-1938 = 100. Since we have a long real estate cycle in the United States, averaging approximately 18 years, an 18-year base will include periods when real estate has been up and periods when it has been down. On the large chart, using this base, it will be seen that the government figures show that rents were low in relation to the cost of living in the period from 1917 to 1920, that they were high in the early twenties, at a parity with the average cost of living in 1929, and extremely low in the depression period. Because of high taxes, high foreclosures and large quantities of real estate in the hands of

unwilling owners, rents remained low when all other items advanced in 1933. In fact, according to the Bureau of Labor Statistics, rents continued to drop through 1934 and showed very little improvement in 1935 and 1936. At the time that rent control was put into effect they were still way below all other elements of the cost of living, but in most cities they were rolled back to a preceding date as Mr. Henderson thought they were much too high.

The farmer has found many friends among Administration leaders and in Congress. Parity was the war cry for many years and the financial condition of the farmer has filled many tear-soaked pages in the Congressional Record. Let us test the prices received for farm products by charting them against the same 18-year average. This is shown on the chart at the bottom of the preceding page. The farmers are now receiving 56.5% more for their products than they have on the average during the 18-year period, while the real estate owner is receiving 14.9% less for his product than he received in the 18-year base period. From 1914 to 1921 the farmers were way ahead of the real estate owners. In fact, they did not fall behind consistently until after 1930. The three years, 1931, 1932 and 1933, were extremely bad years for agriculture and in these years it fared worse than real estate. In 1935, 1936 and 1937 the owners of farms did much better than the owners of houses and since 1941 their progress has been really remarkable. In discussing parity it would seem that the real estate owner has far greater justification than the farmer.

Union labor is very much dissatisfied with the "Little Steel Formula". The "Little Steel Formula", it will be remembered, was the formula developed by the War Labor Board limiting increases in wage rates to 15% since January 1941. Labor contends that this increase is not sufficient and that the worker is entitled to a far larger share of war profits. On the chart below we show a comparison of wage levels and residential rents from 1913 to the present, each expressed in terms of purchasing power rather than in dollars. Real wages rise or fall as the worker is able to buy more or less with the amount he receives in his pay envelope. It will be noticed that from 1917 to the present the real purchasing power of wages has been increasing at an almost constant

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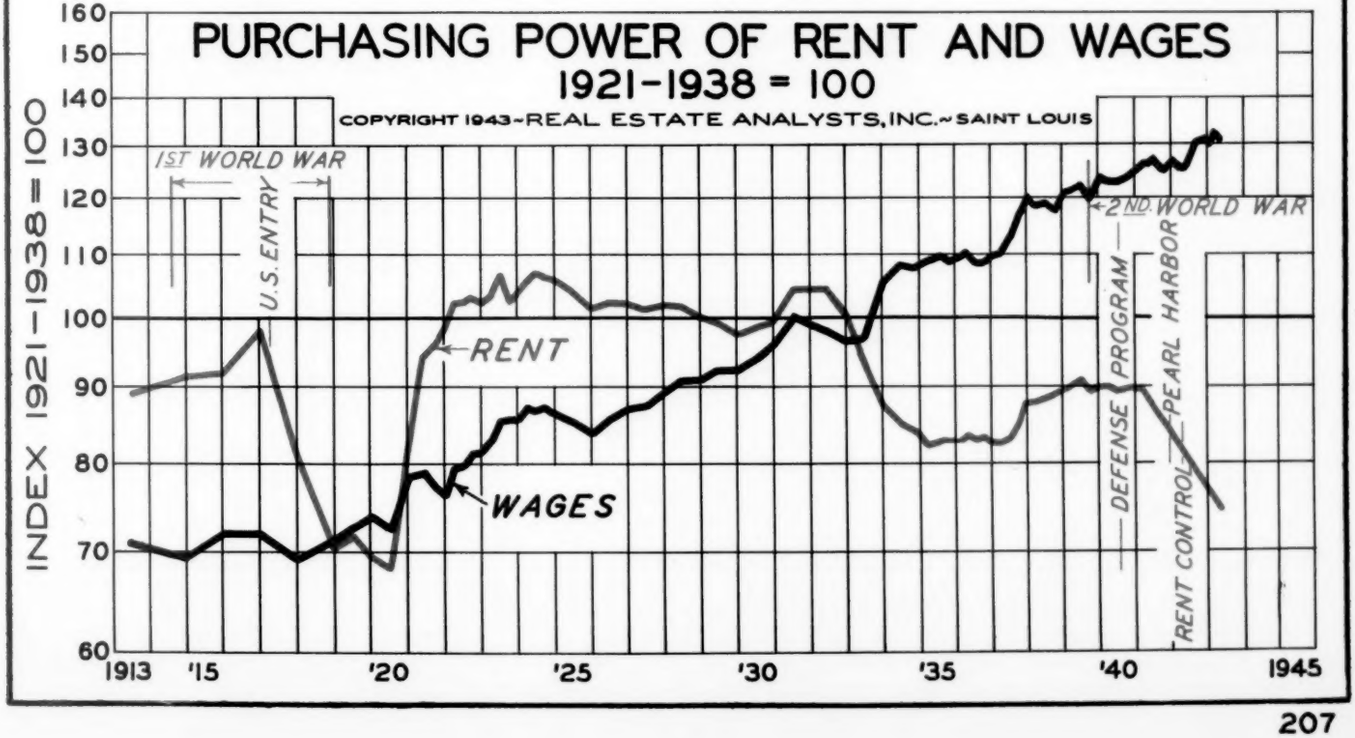

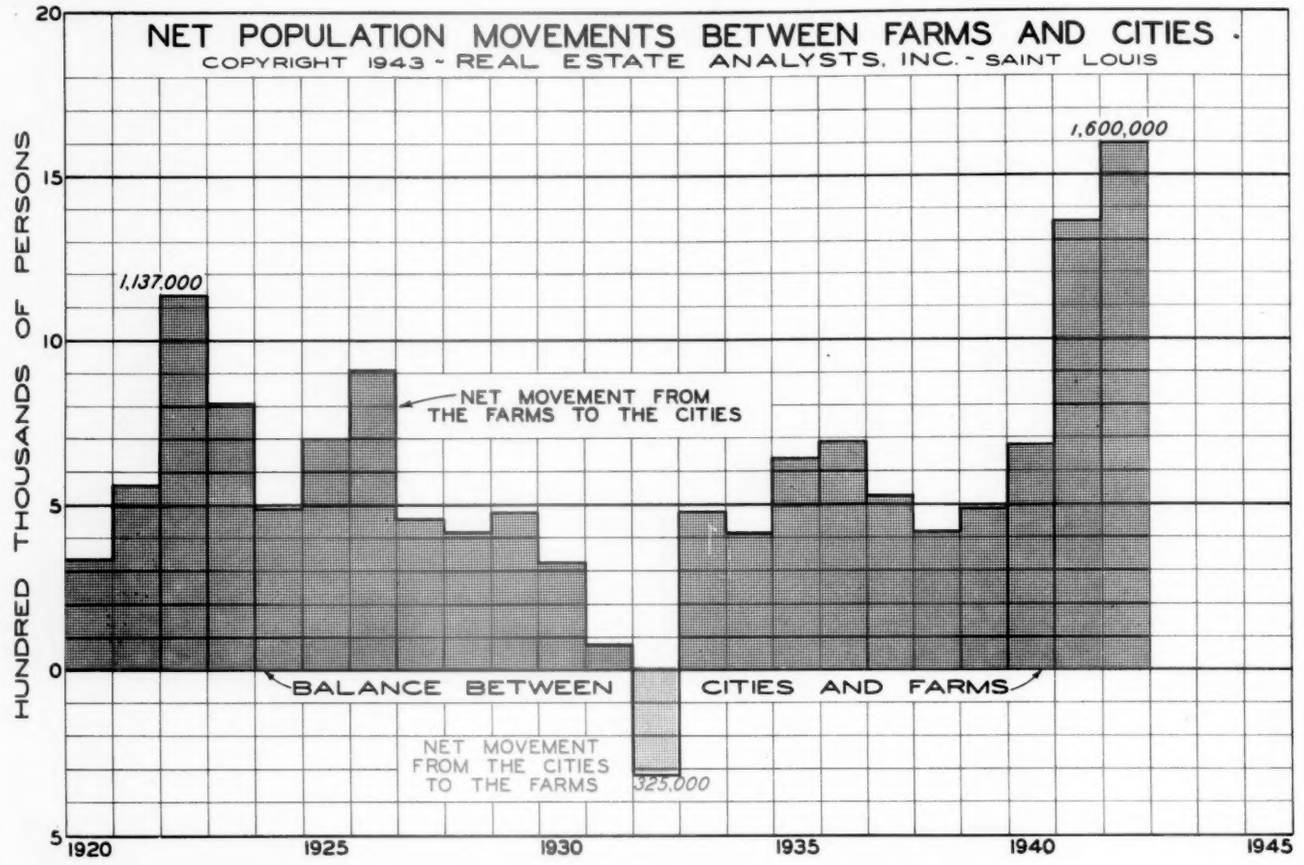

IN the March 25,1943,Real Estate Analyst we charted the net movement of population between farms and cities from 1920 through 1941, the last year then available. The figures just released for 1942 show that the net movement toward the cities has now reached a peak of 1,600,000 a year, an increase of more than 40% over the top year of the twenties, and of 21% over 1941. This movement from the farms to cities will continue,but at a slower pace next year.

(continued from page 207)

rate and that this purchasing power is now almost double the purchasing power in 1917. It is more than 30% above the 1921-1938 average. The wages used in computing this line are based on the compilations of the Federal Reserve Bank of New York. Their index of wages includes the wages of all types of workers in the community--clerks, school teachers, municipal employees and many others whose increases in the recent past have been either small or non-existent. Were this index based only on industrial workers the rise would be much more striking.

In contrast with the increased purchasing power of the average pay envelope, look at the record of the purchasing power of the average amount received by the owner for the rent of his dwelling accommodations. At the present time this purchasing power is 25% below the long-term normal and it has been declining rapidly since the first part of 1941. If rent ceilings are held at their present level, this rapid decline will continue.

Labor is very much dissatisfied with the 15% increase allowed under the "Little Steel Formula". Real estate would be overjoyed were the same formula applied to it, as during this same period rents have advanced only 2.9% from a depression level.

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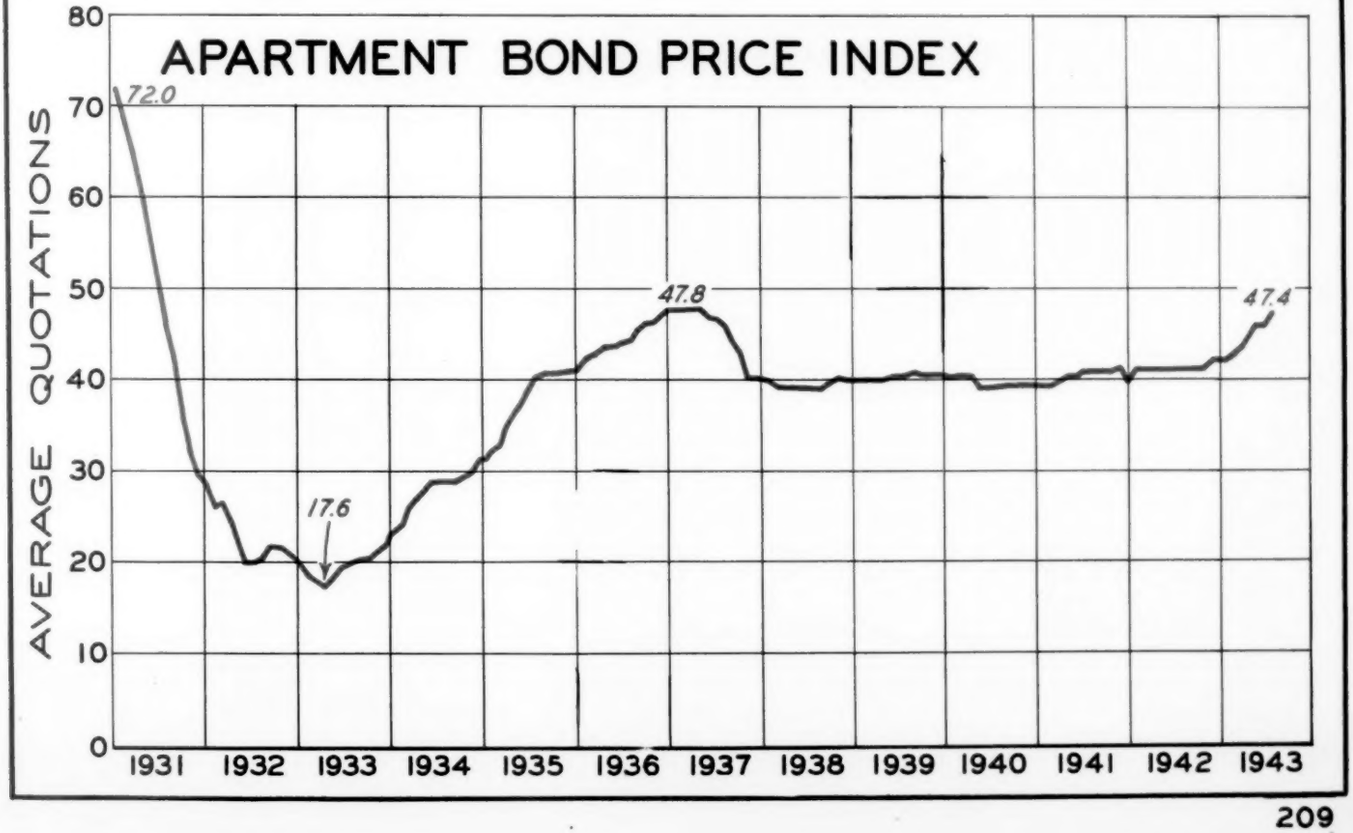
APARTMENT BONDS

THE index on Apartment Bond Prices, given in table form and charted below, attempts to measure prices since 1931. It was found impossible to carry the index back further as in most cases, prior to 1931, the market for real estate bonds was artificially supported by the underwriting house regardless of the condition of the individual property. The declines in all issues came at the time when the underwriters stopped supporting the market.

The 25 issues selected for this index cover properties in 14 cities. These particular issues were selected because they are sufficiently active to secure regular quotations. Issues with complicated reorganization plans have been avoided. There has been a great difference in the price movements of the individual bonds. Three have been called and paid off and one is selling as low as 7½.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
1	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5
2	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1
3	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6
4	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9
5	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2
6	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2
7	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4
8	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	
9	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	
10	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	
11	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	
12	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	



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There is one other way in which we can test the present position of the owner of residential real estate in comparison with his position in the past. On April 1, 1940, the Federal Census asked each tenant in the United States how much rent he was paying. The total rent in the continental United States for all non-farm dwellings amounted on an annual basis to $4,648,752,828. At that time the national income in the United States was approximately 71.5 billion dollars. If the Bureau of Labor Statistics index of residential rents can be relied upon as showing the changes which have taken place since then, in May 1943 the annual rent rate had risen on the same units to $4,800,000,000. However, the percentage of vacant units in 1940 was far greater than it is today and if we assume that all vacant units which were for rent in 1940 were rented in 1943 in those states where a sufficient increase in population has taken place according to the Census figures, we must add 203 million dollars to the amount collected by real estate owners in May 1943. At the time of the Census the owners of all of the residential real estate for rent in the United States were receiving approximately 6.5% of the national income. In May 1943, with national income at an annual rate of 139 billion dollars, the owners of residential real estate were receiving 3.6% of the national income.

Let us not make the mistake of imagining that rental property is owned in the main by people of great wealth. This is true in limited areas only, where ground use is so intensive that persons with small savings are automatically excluded from ownership. In the average city many persons with limited means have those means invested in rental properties.

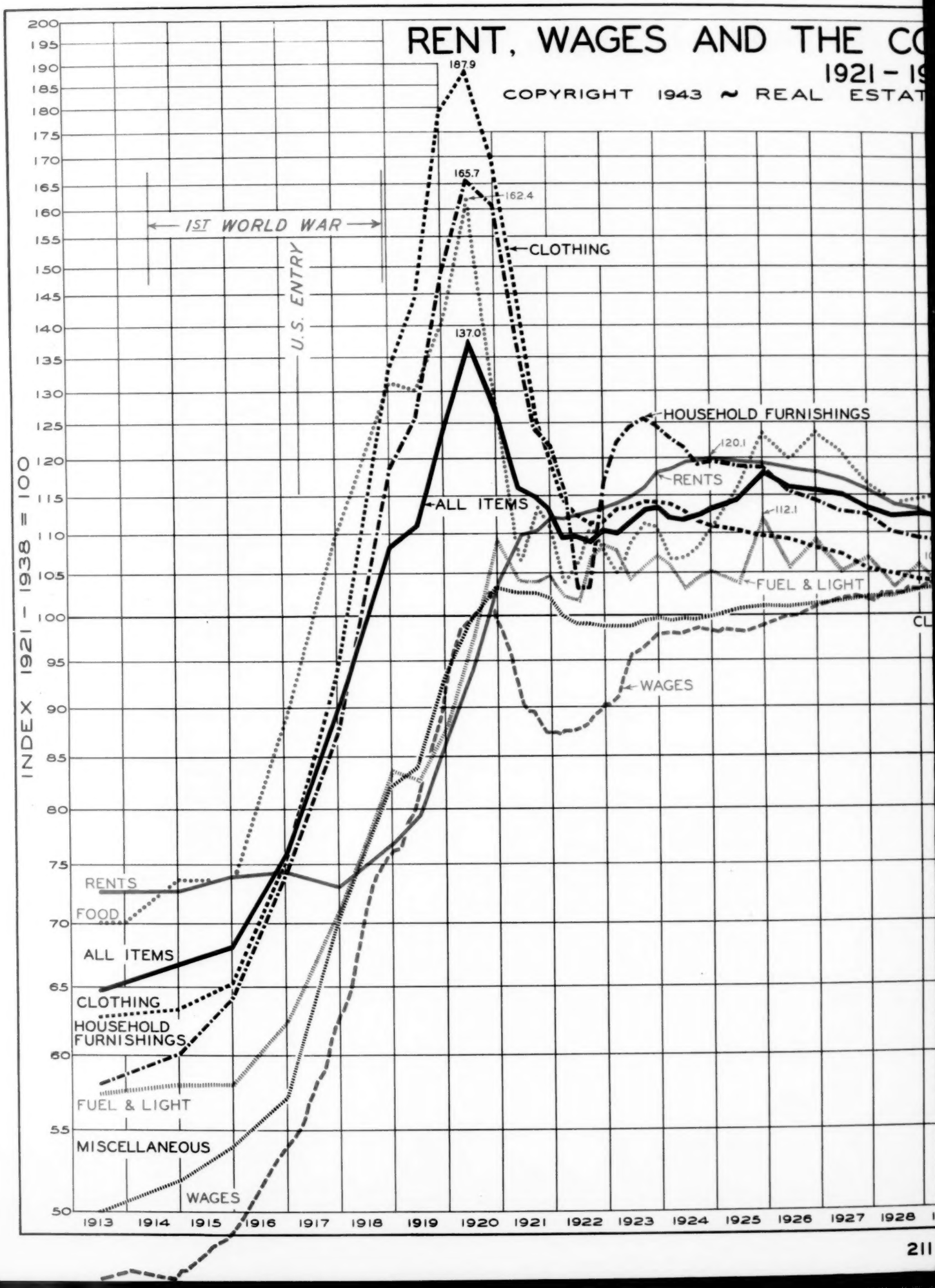
The Rent Control Division of the Price Administration boasted a short time ago that it had saved tenants more than two billion dollars in rents. In view of the fact that other items and wages have been allowed to rise, it would be just as accurate to say that the Price Control Administration had deprived real estate owners of two billion dollars of return on their investments, to which most of them were entitled on any equitable basis.

RENT AND THE COST OF LIVING

Percentage increase in the cost of living in 34 cities from September 1939 and from December 1941 to May 1943 in comparison with the changes in rent levels. Based on United States Bureau of Labor Statistics figures.

City	Rent* from 9/39	Rent* from 12/41	Cost of Living from 9/39	Cost of Living from 12/41	City	Rent* from 9/39	Rent* from 12/41	Cost of Living from 9/39	Cost of Living from 12/41
Atlanta	2.7%	0.3%	*22.9%	*11.2%	Milwaukee	5.5%	1.3%	*21.6%	*10.1%
Baltimore	3.3	-5.0	27.8	14.1	Minneapolis	2.1	0.8	20.1	10.0
Birmingham	9.0	-6.0	25.0	10.2	Mobile	10.2	-12.1	*24.9	* 8.2
Boston	4.6	1.1	23.1	13.0	New Orleans	4.6	1.6	*27.8	*14.8
Buffalo	8.2	0.1	27.2	13.6	New York	0.9	0.2	22.8	14.4
Chicago	5.6	1.9	23.6	12.6	Norfolk	7.1	-8.1	*29.1	*11.7
Cincinnati	2.7	1.1	24.2	12.0	Philadelphia	3.9	1.1	25.1	14.8
Cleveland	7.2	-0.9	26.0	12.9	Pittsburgh	2.2	0.3	24.6	12.7
Denver	2.5	0.7	24.9	13.8	Portland,Me.	5.5	3.2	*23.3	*12.5
Detroit	6.2	-2.6	27.0	13.0	Portland,Ore.	8.0	2.3	*26.0	*13.1
Houston	2.2	1.5	22.1	11.2	Richmond	1.1	0.1	*21.4	*10.1
Indianapolis	6.5	-2.5	*23.9	* 9.0	St. Louis	4.7	1.9	23.7	12.2
Jacksonville	9.4	-3.2	*26.9	*11.0	San Francisco	2.5	0.6	27.0	15.1
Kansas City	5.7	0.8	21.9	12.9	Savannah	10.4	1.1	30.9	15.6
Los Angeles	2.0	1.2	23.4	11.9	Scranton	-0.7	-0.8	*22.0	*11.1
Manchester	6.5	0.8	*25.9	*14.1	Seattle	3.2	-6.4	26.3	13.0
Memphis	10.5	1.7	*25.0	*13.0	Wash.,D. C.	0.2	-1.0	23.0	12.7

*Last available figure March 1943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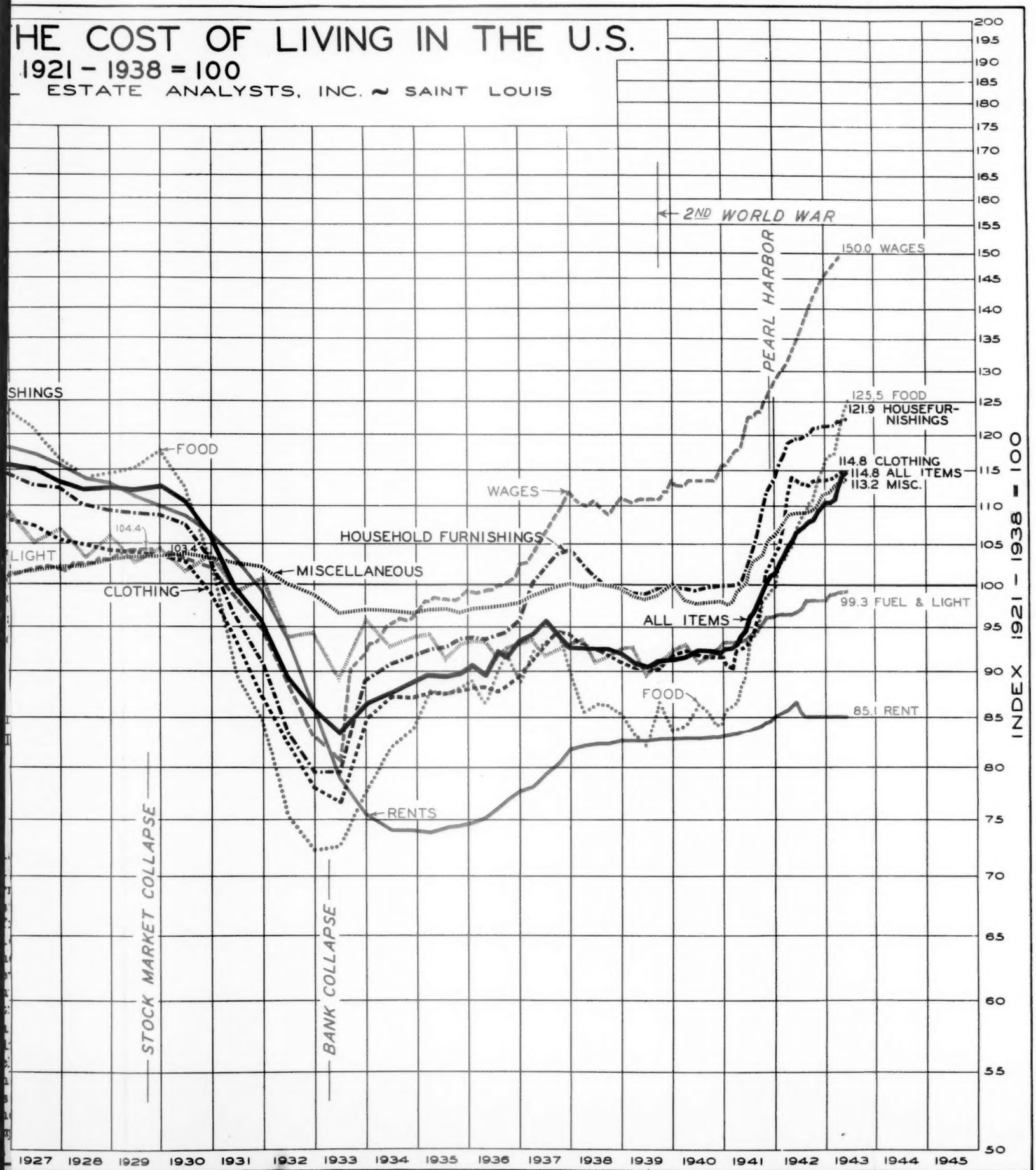
HE COST OF LIVING IN THE U.S.
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ESTATE ANALYSTS, INC. ~ SAINT LOUIS
2ND WORLD WAR
PEARL HARBOR
150.0 WAGES
125.5 FOOD
121.9 HOUSEFURNISHINGS
114.8 CLOTHING
114.8 ALL ITEMS
113.2 MISC.
99.3 FUEL & LIGHT
85.1 RENT
SHINGS
FOOD
WAGES
HOUSEHOLD FURNISHINGS
104.4
LIGHT
103.4
MISCELLANEOUS
CLOTHING
ALL ITEMS
FOOD
RENTS
STOCK MARKET COLLAPSE
BANK COLLAPSE
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RENT, WAGES AND THE COST OF LIVING IN THE UNITED STATES

1921 - 1938 = 100

Date	All Items	Food	Clothing	Rent	Fuel, Ice, & Elec.	Housefurnishings	Misc.	Wages
1913 Year	64.8	70.1	62.4	72.6	57.1	57.7	50.0	45.9
1914 Dec. 15	66.5	73.5	63.0	72.6	57.7	60.1	51.5	46.3
1915 Dec. "	67.8	73.5	65.2	73.8	57.7	63.9	53.7	48.6
1916 Dec. "	75.5	88.3	74.9	74.3	62.0	73.7	56.7	54.1
1917 Dec. "	89.5	110.1	93.0	72.7	70.9	86.9	70.3	62.4
1918 Dec. "	108.1	131.2	133.0	76.5	83.5	118.3	81.7	77.1
1919 June "	110.9	130.3	144.1	79.5	82.5	125.8	84.0	80.8
Dec. "	124.0	140.5	178.8	86.3	87.5	148.9	92.7	91.3
1920 June "	137.0	162.4	187.9	93.8	96.7	165.7	99.0	99.6
Dec. "	126.9	128.6	169.0	103.6	109.9	160.5	102.9	99.8
1921 May "	116.0	106.3	145.4	109.8	104.1	138.2	102.3	91.7
Sept. "	114.9	113.5	125.5	110.3	104.0	124.8	102.3	88.7
Dec. "	113.2	110.8	120.2	112.1	105.0	121.5	101.8	87.0
1922 Mar. "	109.3	104.0	114.7	111.8	102.0	114.8	100.0	87.1
June "	109.5	106.2	112.3	112.2	101.6	102.9	99.1	87.4
Sept. "	108.8	111.1	111.2	112.5	106.9	103.0	99.0	88.7
Dec. "	110.3	107.5	111.3	113.2	108.3	116.6	98.8	90.3
1923 Mar. "	110.1	105.0	113.0	113.8	107.6	121.8	98.8	91.5
June "	111.3	108.6	113.2	115.0	104.6	124.4	98.8	95.6
Sept. "	112.9	111.1	114.0	116.0	105.8	125.5	99.5	97.2
Dec. "	113.2	110.6	114.0	117.8	107.1	124.4	99.8	97.6
1924 Mar. "	111.8	106.6	113.7	118.5	105.9	122.5	99.5	98.0
June "	111.6	106.8	112.7	119.7	103.3	121.2	99.6	97.4
Sept. "	112.0	108.0	111.3	119.9	104.8	119.2	99.6	98.3
Dec. "	113.0	110.5	110.8	120.1	105.4	119.8	100.0	98.0
1925 June "	114.4	115.8	110.3	119.9	103.9	118.6	100.6	98.3
Dec. "	117.8	123.3	109.6	119.7	112.1	118.4	100.9	99.0
1926 June "	115.9	120.0	108.7	118.6	105.9	115.8	100.8	99.8
Dec. "	115.6	123.4	107.6	118.1	109.4	114.7	101.1	101.1
1927 June "	115.2	120.8	106.7	117.0	105.3	112.9	101.4	101.6
Dec. "	113.2	116.2	105.2	115.7	106.7	112.5	101.8	101.6
1928 June "	112.0	113.8	105.0	114.0	103.3	110.1	101.8	102.2
Dec. "	112.3	114.6	104.3	112.9	105.7	109.4	102.7	102.7
1929 June "	112.0	115.3	103.9	111.3	102.7	109.0	102.9	103.7
Dec. "	112.6	117.3	103.2	110.1	104.8	108.8	103.1	104.2
1930 June "	110.3	112.4	102.3	108.7	101.5	107.2	103.4	103.6
Dec. "	105.8	102.2	98.5	106.3	103.8	103.0	103.1	101.7
1931 June "	99.2	89.6	93.2	103.0	99.2	95.8	102.6	99.6
Dec. "	95.5	84.7	86.7	99.0	100.9	90.5	101.8	95.0
1932 June "	89.2	75.3	82.0	92.8	93.8	82.8	100.1	87.8
Dec. "	85.7	72.0	77.5	85.8	94.6	79.4	98.5	83.1
1933 June "	83.2	72.2	76.3	78.9	89.7	79.6	96.2	80.7
Dec. "	86.1	77.3	85.0	75.5	95.9	89.0	96.5	91.5
1934 June "	87.3	81.7	87.0	74.0	92.6	90.7	96.3	95.2
Nov. "	88.2	83.7	86.9	74.0	94.0	91.4	96.2	95.7
1935 Mar. 15	89.6	87.5	87.1	73.9	94.3	92.0	96.5	97.8
July "	89.4	87.2	87.0	74.1	91.4	92.3	96.6	98.4
Oct. "	89.8	87.7	87.2	74.5	92.8	93.5	96.3	98.1
1936 Jan. ""	90.6	89.0	87.6	74.9	93.0	93.6	96.5	99.4
Apr. "	89.6	86.3	87.7	75.2	93.0	93.5	96.7	99.1
July "	92.0	90.0	87.5	76.0	91.5	93.7	97.0	100.1
Sept. "	91.5	92.0	87.8	76.5	92.3	94.4	97.3	99.9
Dec. "	93.3	89.1	89.2	77.3	92.8	95.6	97.4	102.5
1937 Mar. "	94.1	92.1	90.8	77.9	93.0	100.2	98.5	103.7
June "	95.6	93.0	92.3	79.5	91.6	102.0	99.2	108.8
Sept. "	94.4	94.6	94.6	80.5	92.3	104.1	100.0	110.7
Dec. "	92.5	90.0	94.3	81.6	92.9	104.4	100.3	111.9
1938 Mar. "	92.5	85.5	92.6	81.8	93.5	102.2	99.9	110.3
June "	92.5	86.2	92.0	82.1	91.0	100.8	100.1	110.8
Sept. "	92.3	86.1	91.3	82.1	91.6	99.5	99.9	109.2
Dec. "	91.8	85.3	90.8	82.2	92.3	99.3	99.4	111.1
1939 Mar. "	90.8	83.0	90.4	82.2	92.4	98.5	98.8	110.7
June "	90.4	82.0	90.3	82.2	90.0	98.3	98.7	111.2
Sept. "	92.1	86.3	90.3	82.3	91.0	98.7	99.5	111.0
Dec. "	91.3	83.2	91.2	82.3	92.2	100.2	99.3	114.0
1940 Mar. "	91.5	83.9	91.8	82.4	92.8	98.1	99.2	113.0
June "	92.1	86.2	91.5	82.4	91.0	97.8	98.9	114.0
Sept. "	92.0	85.3	91.4	82.5	91.6	98.0	99.8	114.0
Oct. "	91.9	84.4	91.4	82.5	92.2	98.1	99.9	114.0
Nov. "	91.8	84.1	91.4	82.5	92.7	98.3	100.0	115.0
Dec. "	92.2	85.3	91.4	82.6	93.0	98.1	100.1	116.0
1941 Jan. "	92.3	85.8	90.5	82.7	93.1	97.8	100.2	116.0
Feb. "	92.3	85.9	90.3	82.8	92.9	98.1	100.2	117.0
Mar. "	92.7	86.3	91.9	82.8	93.0	99.1	100.2	118.0
Apr. "	93.7	88.2	92.1	83.1	93.1	99.9	100.5	118.0
May "	94.4	89.5	92.5	83.4	93.2	100.4	100.8	121.0
June "	95.9	92.9	93.0	83.4	93.6	103.0	101.8	123.0
July "	96.5	93.5	94.1	83.5	94.5	105.0	101.9	123.0
Aug. "	97.4	94.7	96.0	83.7	95.3	106.5	102.2	124.0
Sept. "	99.0	97.2	99.5	84.1	95.6	109.6	103.2	124.0
Oct. "	100.2	97.8	101.2	84.6	96.1	111.9	105.1	126.0
Nov. "	101.0	99.3	102.2	84.8	96.1	113.0	105.7	127.0
Dec. "	101.3	99.3	103.1	85.2	96.2	114.1	105.9	129.0
1942 Jan. "	102.7	102.0	104.4	85.4	96.4	115.7	106.7	131.0
Feb. "	103.5	102.3	107.0	85.5	96.4	116.9	107.7	131.0
Mar. "	104.8	104.0	111.1	85.7	96.5	118.6	108.3	132.0
Apr. "	105.5	104.9	113.8	86.0	96.4	119.0	108.8	133.0
May "	106.3	106.7	113.6	86.5	96.8	119.5	109.0	135.0
June "	106.7	108.2	112.8	85.5	96.9	119.6	109.0	136.0
July "	107.1	109.2	112.8	85.1	98.1	120.0	109.2	138.0
Aug. "	107.7	110.8	112.7	85.1	98.1	120.1	109.2	140.0
Sept. "	107.9	111.0	113.0	85.1	98.1	120.8	109.6	142.0
Oct. "	109.1	113.8	113.1	85.1	98.1	120.8	109.9	143.0
Nov. "	109.8	115.1	113.1	85.1	98.1	120.9	110.9	145.0
Dec. "	110.4	116.3	113.1	85.1	98.1	120.9	111.0	146.0
1943 Jan. "	110.4	116.8	113.2	85.1	99.1	120.9	111.4	147.0
Feb. "	110.9	117.1	113.5	85.1	99.1	121.2	111.8	148.0
Mar. "	112.3	120.7	114.7	85.1	99.2	121.8	112.7	149.0
Apr. "	113.9	123.2	114.8	85.1	99.2	121.8	112.9	150.0
May "	114.8	125.5	114.8	85.1	99.3	121.9	113.2	

GOVERNMENT EXPENDITURES FROM 1910

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7.0
6.9
6.8
6.7
6.6
6.5
6.4
6.3
6.2
6.1
6.0
5.9
5.8
5.7
5.6
5.5
5.4
5.3
5.2
5.1
5.0
4.9
4.8
4.7
4.6

INFLATION AND THE POST WAR PERIOD

THIS chart first appeared in the Real Estate Analyst of December 1942. At that time estimated expenditures were shown for 1943. It is now possible to show actual figures for the first six months of this year and to revise the estimates for the next six months.

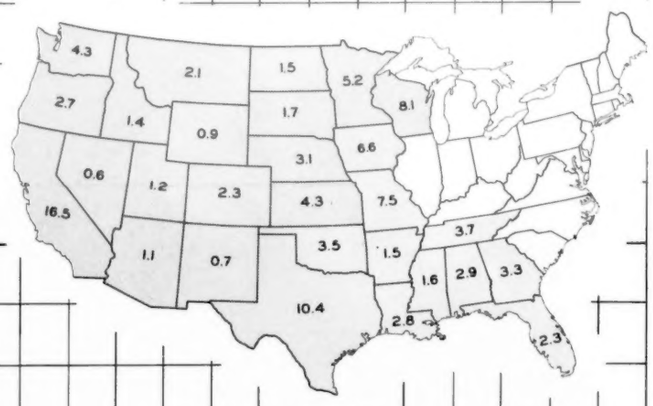
This chart shows three things: First, World War I was relatively inexpensive although it caused the great credit inflation of the twenties. Second, a planned economy is relatively expensive. Although the defense program did not start until July 1940 and up to that time, as the chart will show, we were spending very little on our army and navy; the expenses of government had reached a peak almost half as high as the peak of the first World War. Third, total war is a bankrupting affair, with inflationary after effects almost inevitable.

The map below is another effort to visualize the amount of our war expenditures. From July 1, 1940, to July 1, 1943, they totaled $104,071,948,000. The last figures available on the national wealth by states are for the year 1937. The states shaded on the map had a total wealth in 1937 equal to the amount we have spent thus far since July 1, 1940.

We are not criticizing the amount of the war expenditures as we think that the total cost will be less if the maximum effort is made quickly. We think that much of the money spent on a planned economy has been wasted.

To believe that the post-war period can be a return to any kind of normalcy requires more credulity and imagination than the average business man posesses. The post-war debt can only be carried and amortized if a high price level is maintained, which is merely another way of saying that the purchasing power

the average business man posesses. The post-war debt can only be carried and amortized if a high price level is maintained, which is merely another way of saying that the purchasing power of post-war dollars will be low.



TOTAL WAR EXPENDITURES
JULY 1. 1940 TO JUNE 31. 1943
$104.071.948.000

$7.750.000.000

'42 '43 '44

WORLD WAR I

WORLD WAR II

BILLIONS OF DOLLARS PER MONTH

ARTED - AUGUST 1, 1914

D WAR - APRIL 6, 1917

D - NOVEMBER 11, 1918

CH 6, 1933

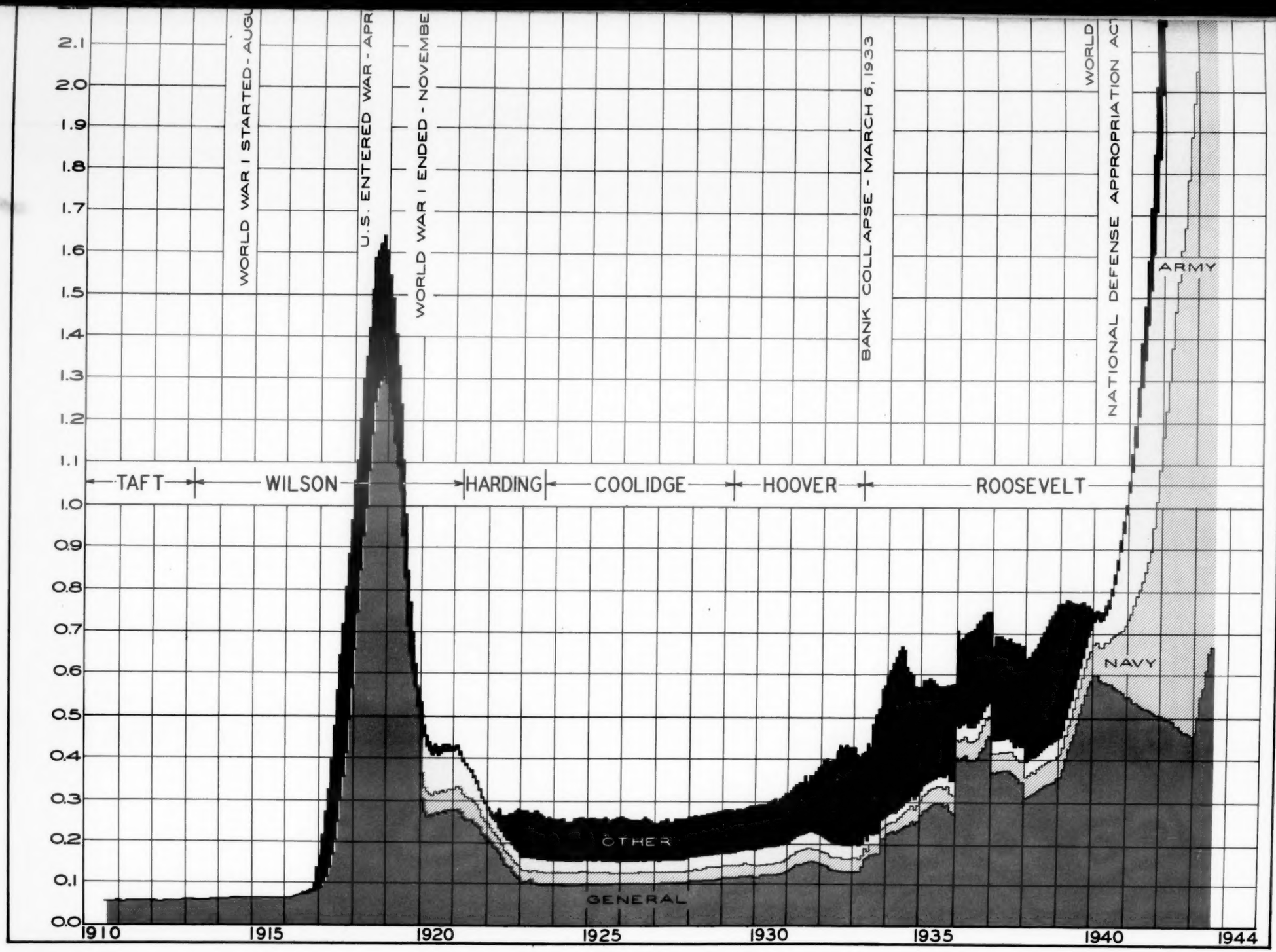
WORLD WAR II STARTED - SEPTEMBER 3, 1939

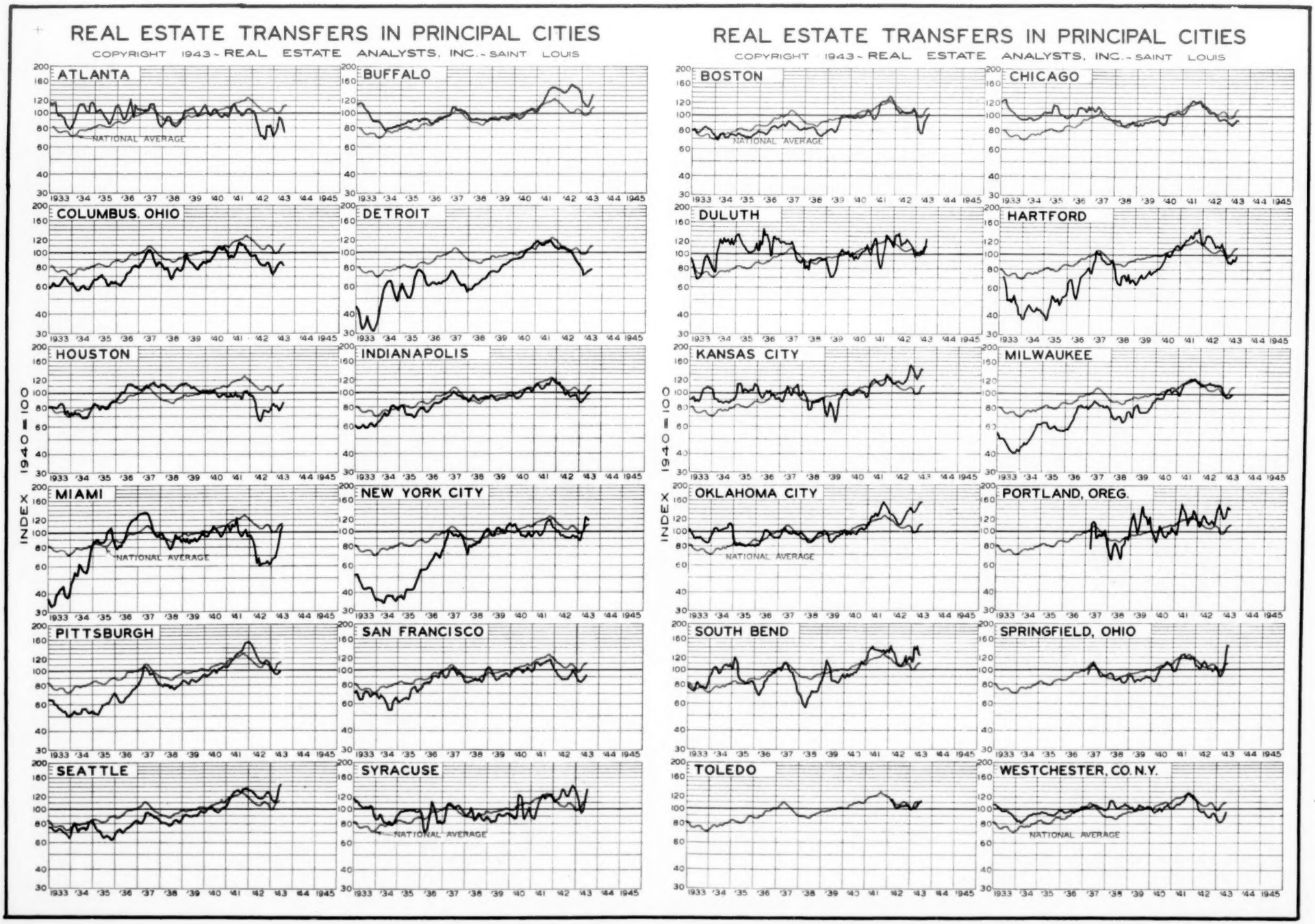
RIATION ACT - JUNE 26, 1940

SELECTIVE SERVICE & TRAINING ACT - SEPTEMBER 16, 1940

LEASE-LEND ACT - MARCH 11, 1941

U. S. ENTERED WAR - DECEMBER 8, 1941


2.1
2.0
1.9
1.8
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0.0
WORLD WAR I STARTED - AUGU
U.S. ENTERED WAR - APR
WORLD WAR I ENDED - NOVEMBE
BANK COLLAPSE - MARCH 6, 1933
WORLD
NATIONAL DEFENSE APPROPRIATION AC
TAFT
WILSON
HARDING
COOLIDGE
HOOVER
ROOSEVELT
ARMY
NAVY
OTHER
GENERAL
1910
1915
1920
1925
1930
1935
1940
1944


REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
COPYRIGHT 1943 - REAL ESTATE ANALYSTS, INC. - SAINT LOUIS
INDEX 1940 = 100
ATLANTA
BUFFALO
COLUMBUS, OHIO
DETROIT
HOUSTON
INDIANAPOLIS
MIAMI
NEW YORK CITY
PITTSBURGH
SAN FRANCISCO
SEATTLE
SYRACUSE
NATIONAL AVERAGE
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
COPYRIGHT 1943 - REAL ESTATE ANALYSTS, INC. - SAINT LOUIS
INDEX 1940 = 100
BOSTON
CHICAGO
DULUTH
HARTFORD
KANSAS CITY
MILWAUKEE
OKLAHOMA CITY
PORTLAND, OREG.
SOUTH BEND
SPRINGFIELD, OHIO
TOLEDO
WESTCHESTER, CO. N.Y.
NATIONAL AVERAGE
1933 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 1945

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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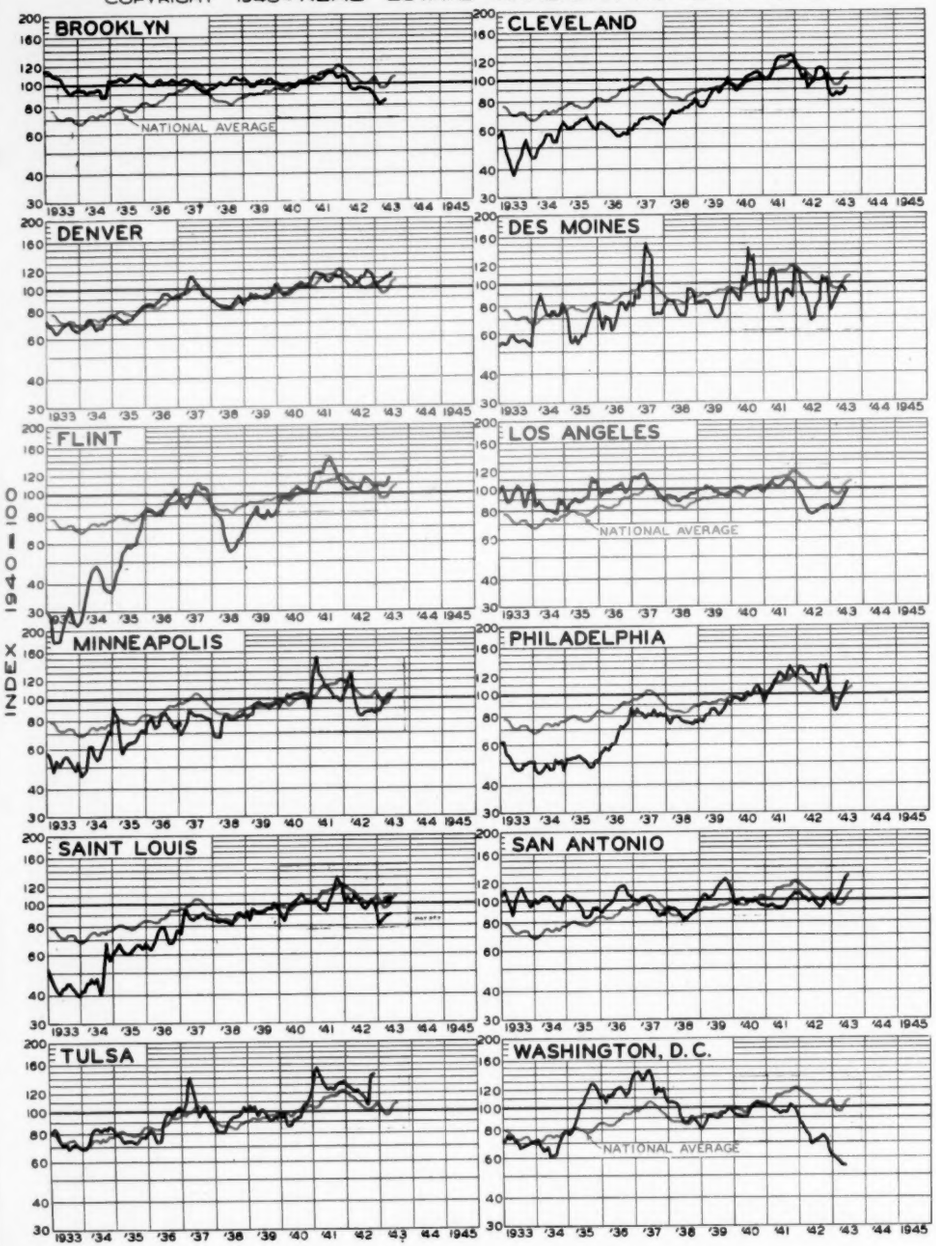
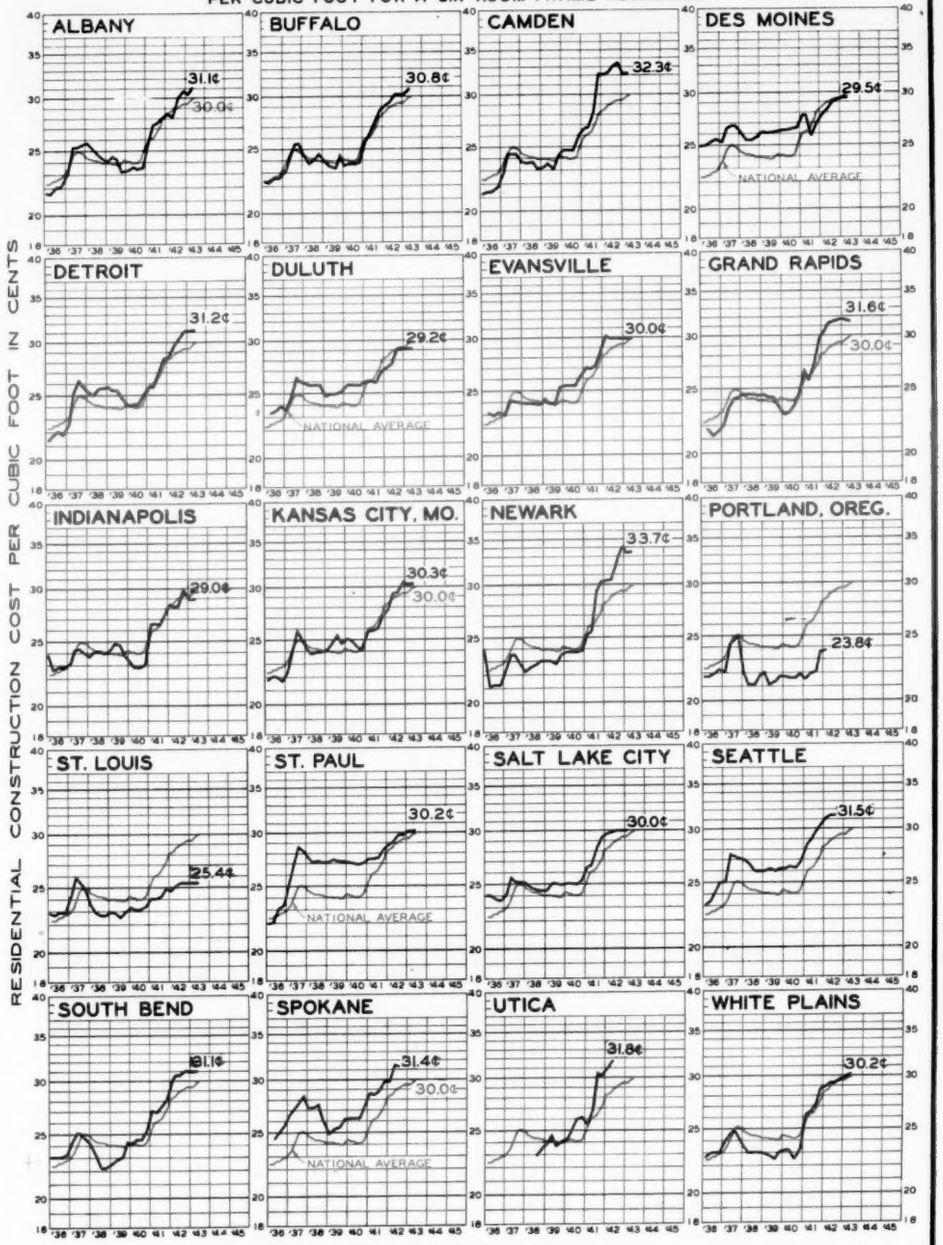
INDEX 1940 = 100

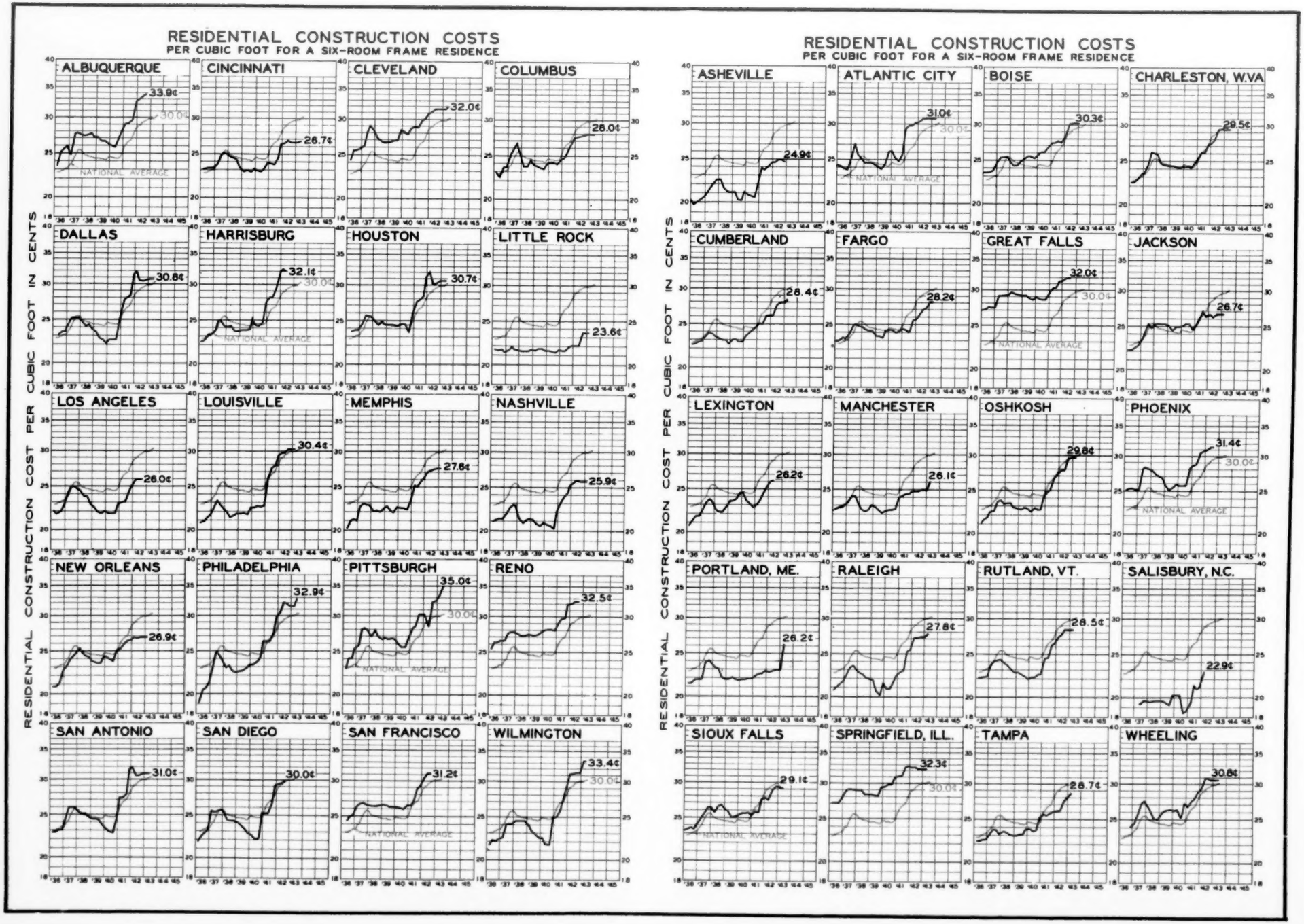


RESIDENTIAL CONSTRUCTION COSTS

PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE

RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS



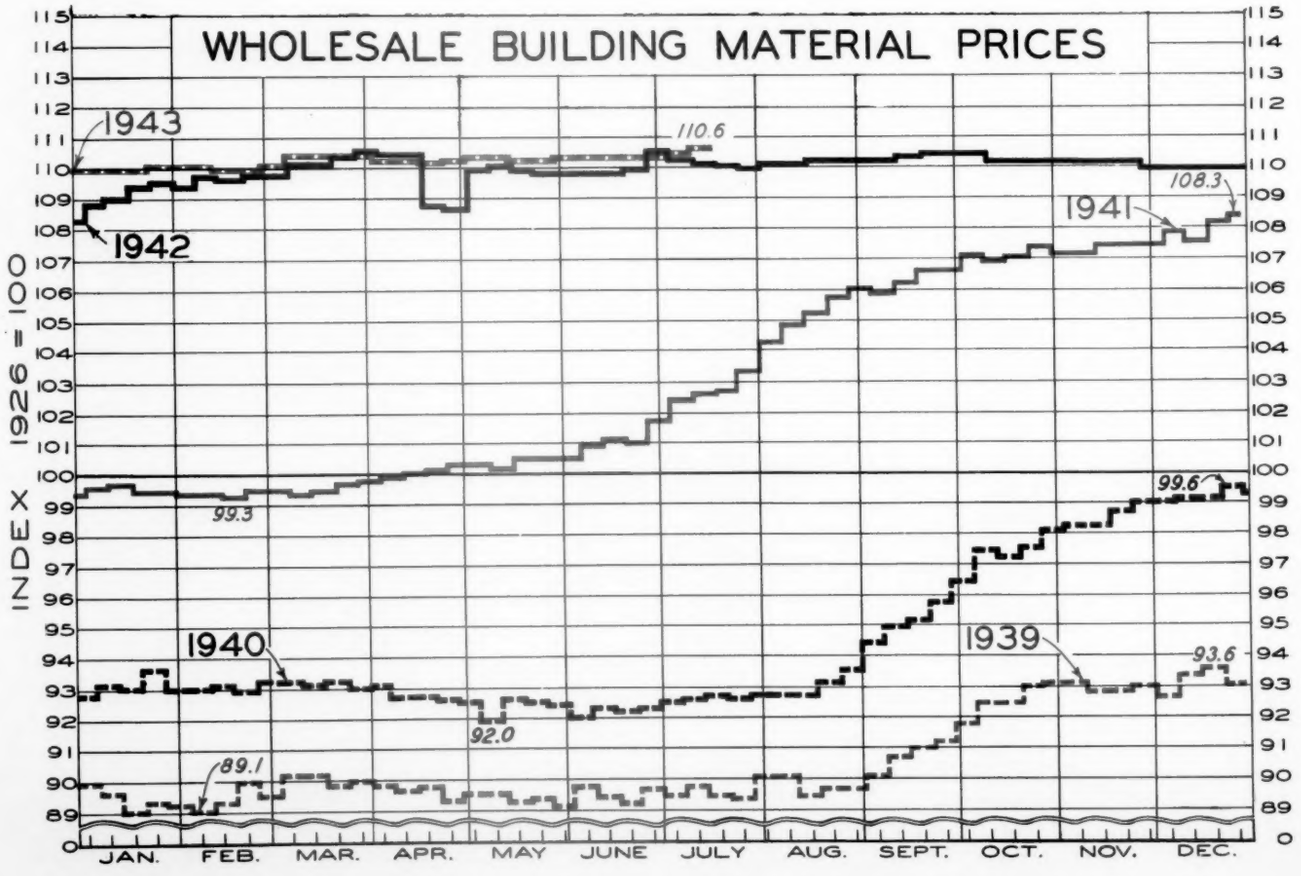

RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ALBUQUERQUE
33.9¢
30.0¢
NATIONAL AVERAGE
CINCINNATI
26.7¢
CLEVELAND
32.0¢
COLUMBUS
28.0¢
DALLAS
30.8¢
HARRISBURG
32.1¢
HOUSTON
30.7¢
LITTLE ROCK
23.6¢
LOS ANGELES
26.0¢
LOUISVILLE
30.4¢
MEMPHIS
27.6¢
NASHVILLE
25.9¢
NEW ORLEANS
26.9¢
PHILADELPHIA
32.9¢
PITTSBURGH
35.0¢
RENO
32.5¢
SAN ANTONIO
31.0¢
SAN DIEGO
30.0¢
SAN FRANCISCO
31.2¢
WILMINGTON
33.4¢
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ASHEVILLE
24.9¢
ATLANTIC CITY
31.0¢
BOISE
30.3¢
CHARLESTON, W.VA
29.5¢
CUMBERLAND
28.4¢
FARGO
28.2¢
GREAT FALLS
32.0¢
JACKSON
26.7¢
LEXINGTON
26.2¢
MANCHESTER
26.1¢
OSHKOSH
29.8¢
PHOENIX
31.4¢
PORTLAND, ME.
26.2¢
RALEIGH
27.8¢
RUTLAND, VT.
28.5¢
SALISBURY, N.C.
22.9¢
SIOUX FALLS
29.1¢
SPRINGFIELD, ILL.
32.3¢
TAMPA
28.7¢
WHEELING
30.8¢

DWELLING UNITS CONSTRUCTED IN 48 STATES

THE number of new family accommodations built in all nonfarm communities of the 48 states and the District of Columbia is shown in the table below. Cumulative totals and twelve month moving totals for 1942 (blue) and 1943 (red) are given.

THOUSANDS OF UNITS

	MONTHLY			CUMULATIVE			12 MONTH MOVING TOTAL		
	1941	1942	1943	1941	1942	1943	1941	1942	1943
JANUARY	41.2	34.3	48.1	41.2	34.3	48.1	617.7	708.3	507.1
FEBRUARY	43.7	51.5	34.4	84.9	85.8	82.5	624.5	716.1	490.0
MARCH	60.2	52.5	30.0	145.1	138.3	112.5	638.7	708.4	467.5
APRIL	75.2	59.2	29.9	220.3	197.5	142.4	651.0	692.4	438.2
MAY	70.7	60.9	36.5	291.0	258.4	178.9	664.7	682.6	413.8
JUNE	77.2	46.2	24.6	368.2	304.6	203.5	697.9	651.6	392.2
JULY	74.6	27.2		442.8	331.8		715.0	604.2	
AUGUST	69.8	27.5		512.6	359.3		729.1	561.9	
SEPTEMBER	67.0	44.8		579.6	404.1		737.7	539.7	
OCTOBER	56.2	29.9		635.8	434.0		727.7	513.4	
NOVEMBER	46.6	29.8		682.4	463.8		729.4	496.6	
DECEMBER	32.8	29.5		715.2	493.3		715.2	493.3	



EXECUTIVE DIGEST

JULY 27 1943

OF THE CURRENT REAL ESTATE ANALYST REPORTS

REAL ESTATE ANALYSTS, INC.

Real Estate Economists, Appraisers and Counselors

VOLUME XII

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Roy Wenzlick
Editor

REAL ESTATE ACTIVITY

The preliminary figure for June for real estate activity shows it to be 10.4% above the long-term normal. The final figure for May was raised from 8.2% to 8.9% by the inclusion of cities in which the figures were late.

To us it seems quite significant that in spite of all of the restrictions of the OPA the volume has been rising steadily for the last four months and is now above the volume of each preceding June, with the single exception of 1941, since 1928. This is so strikingly at variance with the first World War period when in 1918 real estate activity never got above 32% below normal, in spite of the fact that at that time there was no limitation on sales and in most places no limitation on rents.

The action of real estate in the present crisis is, we think, a conclusive argument for the existence of the fundamental cycle which we have so often pointed out in our reports. This fundamental cycle in the first World War period was down and real estate activity was quite low. The absence of activity at that time was blamed on the war and not on the cycle. In the present war the fundamental long-term cycle is up and all of the wartime restrictions of the government have not been able to keep it down. Now the war is being given the credit for the activity which has developed.

REAL ESTATE MORTGAGES

Real estate mortgage activity in June was 36.5% below the long-term computed normal. This is a drop from the May figure, which was 30.4% below. It is still considerably higher than 10 of the last 13 Junes. Were any volume of new building taking place it would be higher than any month since the depression.

Most renting activity is taking place in the refinancing of existing buildings. June figures are not yet available but the figure for May, compiled by the Home Loan Bank Administration, shows that loans by savings and loan associations for the purchase of existing homes are running 22% above the corresponding month of last year.

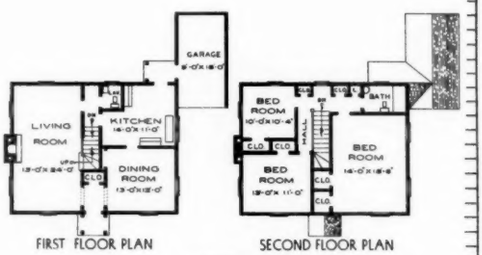
RESIDENTIAL CONSTRUCTION

In June new dwelling units were being built in the nonfarm areas of the United States at the rate of 19.2 units per year for each thousand nonfarm families. A year ago the rate was 31.8. The figure for May was 20.2.

No great building volume can be expected until after the close of the war.

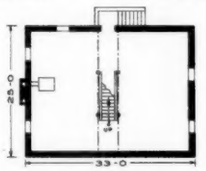
BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN ST. LOUIS

25,376 CUBIC FEET



FIRST FLOOR PLAN

SECOND FLOOR PLAN



BASEMENT PLAN

BUILDING COSTS IN DOLLARS

$12,000
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0

1913 1915 1920 1925 1930 1935 1940 1945

TOTAL COST

OVERHEAD
COL. 15
COL. 14
COL. 13

DIRECT LABOR
GROUP D
GROUP C
GROUP B
GROUP A

MATERIALS
GROUP D
GROUP C
GROUP B
GROUP A

BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN SAINT LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4¼ x 4¼ wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Boiler, insulating jackets, fittings, tools, pipes, connections, valves and radiation.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.

(11) Painting: White lead, linseed oil, turpentine.

(12) Miscellaneous: Metal and wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (federal and state), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

YEAR	GROUP A (1) M	(1) L	(2) M	(2) L	GROUP B (3) M	(3) L	(4) M	(4) L	(5) M	(5) L	GROUP C (6) M	(6) L	(7) M	(7) L	GROUP D (8) M	(8) L	(9) M	(9) L	(10) M*	(11) M	(11) L	(12) M	(12) L	Total M	Total L	GROUP E (13)	(14)	(15)	(16)	TOTAL
1913	$343	$388	$ 24	$13	$218	$101	$428	$134	$350	$121	$152	$126	$231	$110	$ 65	$12	$36	$49	$59	$16	$ 64	$ 51	$18	$1973	$1146	$248	$337	$132	$ 717	$3836
1914	362	388	24	13	212	101	415	134	349	121	147	136	248	110	59	12	32	49	59	16	64	50	18	1973	1146	248	337	132	717	3836
1915	360	388	24	13	189	108	373	145	329	131	152	144	249	116	68	12	38	52	64	17	69	48	19	1911	1197	257	337	135	729	3837
1916	366	396	24	13	224	108	438	145	363	131	203	144	309	116	101	12	55	52	86	22	69	59	19	2250	1205	295	375	142	812	4267
1917	456	413	25	14	258	109	500	146	396	132	244	152	359	122	108	12	59	54	110	26	69	69	19	2610	1242	325	418	152	895	4747
1918	539	421	25	15	292	118	570	158	449	143	322	152	359	124	95	14	52	54	118	30	75	73	21	2924	1295	346	457	163	966	5185
1919	624	453	25	15	519	128	1008	170	729	154	290	160	349	130	83	15	45	57	113	31	81	112	23	3928	1386	342	566	187	1095	6409
1920	742	463	28	17	607	183	1189	243	1030	220	305	184	372	150	83	21	46	66	143	36	116	132	32	4713	1695	366	677	227	1270	7678
1921	674	501	25	18	479	188	920	250	506	225	273	192	460	156	64	22	35	69	94	30	119	104	33	3664	1773	372	581	215	1168	6605
1922	609	506	25	18	362	174	703	232	571	209	258	204	433	166	64	20	35	73	79	28	111	81	31	3248	1744	370	536	205	1111	6103
1923	633	576	25	21	410	200	793	268	551	242	267	227	430	184	70	23	38	81	94	28	128	90	36	3429	1986	407	582	228	1217	6632
1924	618	703	251	108	401	246	779	328	492	296	274	277	388	224	64	28	35	100	97	35	156	87	44	3521	2510	527	656	274	1457	7488
1925	606	684	251	108	375	251	732	335	472	302	273	255	381	207	68	29	37	92	89	37	159	83	45	3404	2467	508	638	267	1413	7284
1926	566	653	251	108	379	240	732	320	432	288	264	244	381	197	69	27	37	87	86	36	152	83	43	3316	2359	499	617	254	1370	7045
1927	565	621	251	108	354	228	715	304	358	275	251	184	395	159	67	26	37	66	84	33	145	80	41	3190	2157	469	582	237	1288	6635
1928	563	541	208	97	406	184	644	244	377	220	261	184	382	151	71	21	39	66	85	31	116	74	32	3141	1856	438	544	213	1195	6192
1929	565	541	185	97	360	184	687	244	384	220	270	184	385	151	82	21	45	66	89	33	116	71	32	3156	1856	438	545	213	1196	6208
1930	474	422	185	97	340	135	655	181	312	164	251	140	341	114	71	15	39	50	72	33	87	211	24	2984	1429	380	479	175	1034	5447
1931	411	342	155	57	313	108	594	145	254	131	226	112	322	91	58	12	32	40	61	31	70	198	39	2655	1147	317	412	146	875	4677
1932	438	342	139	51	268	108	532	145	269	131	210	112	286	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480
1933	457	342	130	51	355	108	562	145	344	131	208	112	270	91	52	12	28	40	54	26	70	214	39	2700	1141	291	413	146	850	4691
1934	540	342	122	51	439	108	713	145	494	131	234	112	279	91	55	12	30	40	63	26	70	222	39	3217	1141	299	466	154	919	5277
1935	508	422	111	67	399	135	638	181	523	164	236	140	292	114	43	15	24	50	62	26	87	229	47	3091	1422	300	481	174	955	5468
1936	506	490	111	67	364	159	655	209	494	188	255	160	301	131	50	19	28	57	59	27	98	221	53	3071	1631	344	505	239	1088	5790
1937	503	512	111	67	395	186	742	245	578	221	247	160	326	141	54	22	29	57	64	31	104	226	53	3306	1768	363	544	310	1217	6291
1938	508	425	103	67	350	157	647	204	571	179	241	160	297	134	47	19	26	57	66	28	88	222	42	3106	1532	333	494	306	1133	5771
1939	513	525	103	77	360	159	660	211	513	190	239	160	277	133	49	19	27	57	64	29	109	192	56	3026	1696	344	505	323	1172	5894
Ja 1940	510	538	103	77	374	158	679	215	567	195	236	160	282	131	58	17	32	57	65	30	93	193	61	3129	1702	352	516	327	1195	6026
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Jl 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Ag 1940	510	556	103	77	415	158	735	215	604	195	236	160	285	161	63	17	31	57	66	30	93	201	69	3279	1758	361	540	342	1243	6280
S 1940	510	556	145	77	448	158	736	215	604	195	236	160	301	161	63	17	31	57	66	30	93	195	69	3365	1758	379	551	345	1275	6398
O 1940	510	542	145	86	494	162	763	218	628	197	254	160	294	161	63	17	31	57	66	32	93	203	75	3482	1768	385	564	351	1300	6551
N 1940	510	542	145	86	493	162	805	218	646	197	254	160	295	161	62	17	27	57	66	32	93	203	75	3538	1768	385	569	351	1305	6611
D 1940	510	740	145	86	493	182	805	243	645	219	242	160	266	161	62	19	27	58	66	32	104	203	78	3496	2050	380	585	375	1340	6886
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	3487	1950	380	585	375	1340	6797
F 1941	515	639	145	86	493	182	753	243	633	219	251	180	269	149	62	19	28	63	69	33	131	203	78	3454	1989	387	583	376	1346	6789
Mr 1941	487	639	145	86	465	182	748	243	633	219	251	180	269	149	62	19	28	63	69	33	131	202	79	3392	1990	388	577	374	1339	6721
Ap 1941	487	639	159	86	463	182	771	243	633	219	251	180	274	149	62	19	28	63	69	33	131	202	79	3432	1990	396	581	376	1353	6775
My 1941	508	639	159	86	448	197	732	265	635	240	250	180	274	149	62	19	23	63	72	33	131	205	79	3401	1948	396	585	381	1362	6711
Je 1941	510	639	159	86	441	201	785	268	635	242	250	180	274	149	73	19	25	63	72	33	131	203	79	3460	2057	396	591	384	1371	6888
Jl 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	90	19	27	63	72	34	131	220	79	3626	2108	396	613	397	1406	7140
Ag 1941	510	650	159	86	574	220	845	279	689	252	262	180	292	149	90	19	27	63	72	34	131	220	79	3774	2108	406	629	400	1435	7317
S 1941	514	678	159	86	563	226	865	303	689	274	262	200	289	187	106	29	33	72	79	35	131	221	79	3815	2265	433	649	422	1504	7584
O 1941	514	678	159	86	544	226	861	303	689	274	262	200	289	187	106	29	34	72	80	35	145	227	79	3800	2279	433	650	422	1505	7584
N 1941	514	678	159	86	535	226	866	303	689	274	262	200	289	187	106	29	39	72	79	35	145	227	79	3800	2279	433	650	422	1505	7584
D 1941	514	678	159	86	535	231	847	305	689	275	262	200	298	187	106	29	44	72	79	35	145	229	79	3797	2287	434	651	423	1508	7592
Ja 1942	514	696	175	86	536	231	854	305	689	275	262	200	314	187	64	29	48	72	79	35	145	229	81	3799	2307	431	653	423	1507	7613
F 1942	514	696	175	86	540	231	868	305	715	275	262	200	324	187	64	29	49	72	79	37	145	229	81	3856	2307	433	660	424	1517	7680
Mr 1942	520	696	175	86	540	231	874	305	715	275	262	200	323	187	64	29	49	72	79	38	145	229	81	3868	2307	433	661	424	1518	7693
Ap 1942	520	696	175	86	547	231	876	305	715	275	273	200	317	187	64	29	50	72	79	38	145	229	81	3883	2307	433	663	424	1520	7710
My 1942	520	709	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	81	3882	2350	442	668	428	1538	7770
Je 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	3882	2331	436	668	428	1532	7745
Jl 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	3882	2331	436	668	428	1532	7745
Ag 1942	520	696	175	86	547	233	884	307	715	276	273	200	317	198	56	29	50	86	79	38	145	229	75	3883	2331	436	668	428	1532	7746
S 1942	520	668	162	86	547	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3870	2111	419	638	402	1459	7440
O 1942	520	668	162	86	558	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3881	2111	419	639	402	1460	7452
N 1942	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
D 1942	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ja 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
F 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Mr 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ap 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
My 1943	520	668	151	96	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2121	419	639	402	1460	7454
Je 1943	520	668	151	96	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2121	419	639	402	1460	7454
Jl 1943	520	648	151	99	561	189	884	247	715	222	273	180	317	149	56	20	50	63	79	38	130	223	75	3867	2022	422	631	402	1455	7344

BUILDING COSTS

The cost of building a typical six-room frame residence in St. Louis in July was $7344. The inside spread of this report shows in detail the costs of building this building since 1913.

It must be pointed out that since the restriction on building the computations of building costs on this particular building are necessarily theoretical costs. This building cannot be built due to government restrictions at the present time. The cost of building it is computed on the basis of what the cost of all the materials and the labor and overhead would total were it possible to get the necessary priorities and permissions. Even this, however, is theoretical from this standpoint: that were it possible to build many houses of this sort at the present time, the cost would rise because of the scarcity of labor. The drop in labor costs in the recent past is due entirely to the fact that practically no building is being done and a lot of builders would prefer to build at a lower rate than to transfer to unfamiliar jobs.

FORECLOSURES

No great change has been experienced in the foreclosure rate for many months with the exception that there has been a very gradual downward drift. Foreclosures are almost at the vanishing point and in our opinion will so continue until the termination of the war. During the period of transitional unemployment, foreclosures will rise sharply for a short time, but not to any great height.

RESIDENTIAL RENTS

The owners of real estate are unfortunate in that rent control is the only one of the price controls which is really holding. The person whose entire savings have been put in residential units is finding that the cost of living is rising rapidly while the gross income from the property is fixed and the net income is falling because of the increasing costs of maintenance. Rent control will continue to hold and will not be modified to any great extent, although there is a possibility that the size of the down payment on the purchase of a home may be reduced.

WHOLESALE PRICES

The trend of wholesale prices during the last couple of months has been slightly down, but this is just a temporary faltering in the upward movement. Regardless of what efforts the Administration makes to prevent price rises, prices will rise because of the limited supply of goods and the excessive amount of purchasing power attempting to purchase these goods. Black market activities will continue to make the real cost of living higher than the cost of living as indicated on the government indexes.

THE STOCK MARKET

The stock market is currently experiencing a "peace scare" and in the last few days has had sizeable drops. The two conflicting elements in the market during the next few months will be the fear of inflation on the one hand tending toward driving the market up, and the discounting of the cancellation of war orders in case the war in Europe should terminate sooner than most persons anticipate. One other negative factor will continue to over-hang the market: the President may at any time that he thinks the market is getting out of hand, "talk it down." The next war bond drive starts in September and it might be easier to sell war bonds if the stock market at that time did not look too attractive.

REAL ESTATE ANALYSTS INC.

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AUGUST 5
1943

As I see

AS I SEE THE DEMOLITION RATE

IN Headlines of July 26, 1943, published by the National Association of Real Estate Boards, the leading editorial, signed by Herb Nelson, was headed "Turnover in Real Estate." The first few paragraphs of this editorial were as follows:

> We have about 37 million buildings of all kinds in the United States.
>
> We demolish them at the rate of .2 of 1% a year. This means that we rebuild the country every 500 years.
>
> Real estate has no sensible and businesslike method of replacement. That is why we have slums, blighted areas, and a constant problem in making the neighborhoods look good.

A number of our clients in various parts of the country have written in to us in the last few days calling our attention to this editorial and asking whether the demolition rate was actually that low and whether buildings have a far longer life than has generally been supposed.

This question is of great importance to all groups interested in real estate. The appraiser must estimate the probable remaining years of life of the building he is appraising. The accountant must also estimate the remaining years of life so that he can make the proper division between return on, and return of invested capital. The architect and the builder have considerable interest in this question as with population now increasing very slowly in the U. S. the larger part of the buildings in the future will necessarily consist of the replacement of present buildings.

It is, of course, impossible to predict accurately the economic life of any particular building just as it is impossible to forecast how long any one individual may live. Actuarial tables, however, enable life insurance companies to determine years in advance their cash requirements for death claims. "Mortality tables" which will give average life expectancy can be constructed for buildings.

In May 1934 Real Estate Analysts, Inc., published a study on depreciation and obsolescence in St. Louis under the title, "How Long Do Houses Live?" To answer this question at that time, twenty residence addresses were selected at random from the building permits issued in St. Louis for each year as far back as the records were available. Two appraisers then went out to each address for a field check of the building and its condition.

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A second method of checking for demolitions was also used. In 1875 a large book was published which showed perspective drawings of every building then standing in St. Louis. Six sections of the city were checked against these drawings to find out what percentage of buildings were still standing. 55% of the buildings shown on these drawings were still standing and in use in 1934. Each of these buildings at that time was more than 60 years old. In 60 years, if the demolition rate is .2 of 1% per year, 12% should have disappeared. Instead 45% have disappeared, which is more than three times the rate Mr. Nelson uses. From all of the inspections made in 1934 of the buildings on which building permits had been issued in the earlier years, the conclusion was reached that the average life of a residential building in St. Louis was 63½ years, with 10% of the buildings being demolished at the end of 35 years, 50% at the end of 61 years, but 10% still standing at the end of 85 years and 5% still standing at the end of 95 years.

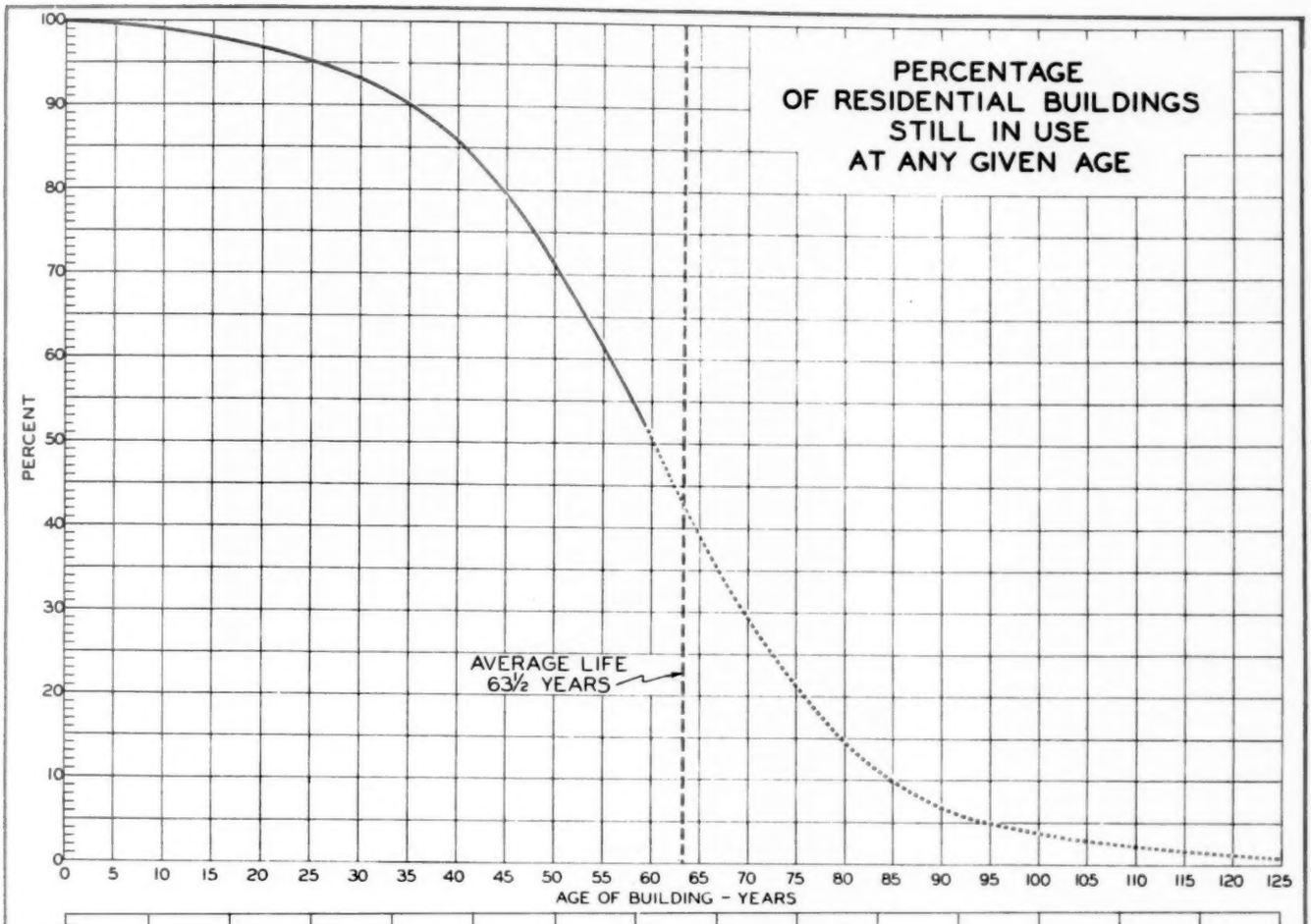
The two charts on the following page show the results of this St. Louis study. The top one shows the number of buildings which can reasonably be expected to still be in use at any given age. The bottom chart shows the remaining life which can probably be expected for an average residential building of any present age. From this lower chart it will be seen that a building which is now at the average age of 63½ years still has approximately 18 years expectancy, and a building which has attained the age of 75 years on the average has 17 years of remaining life.

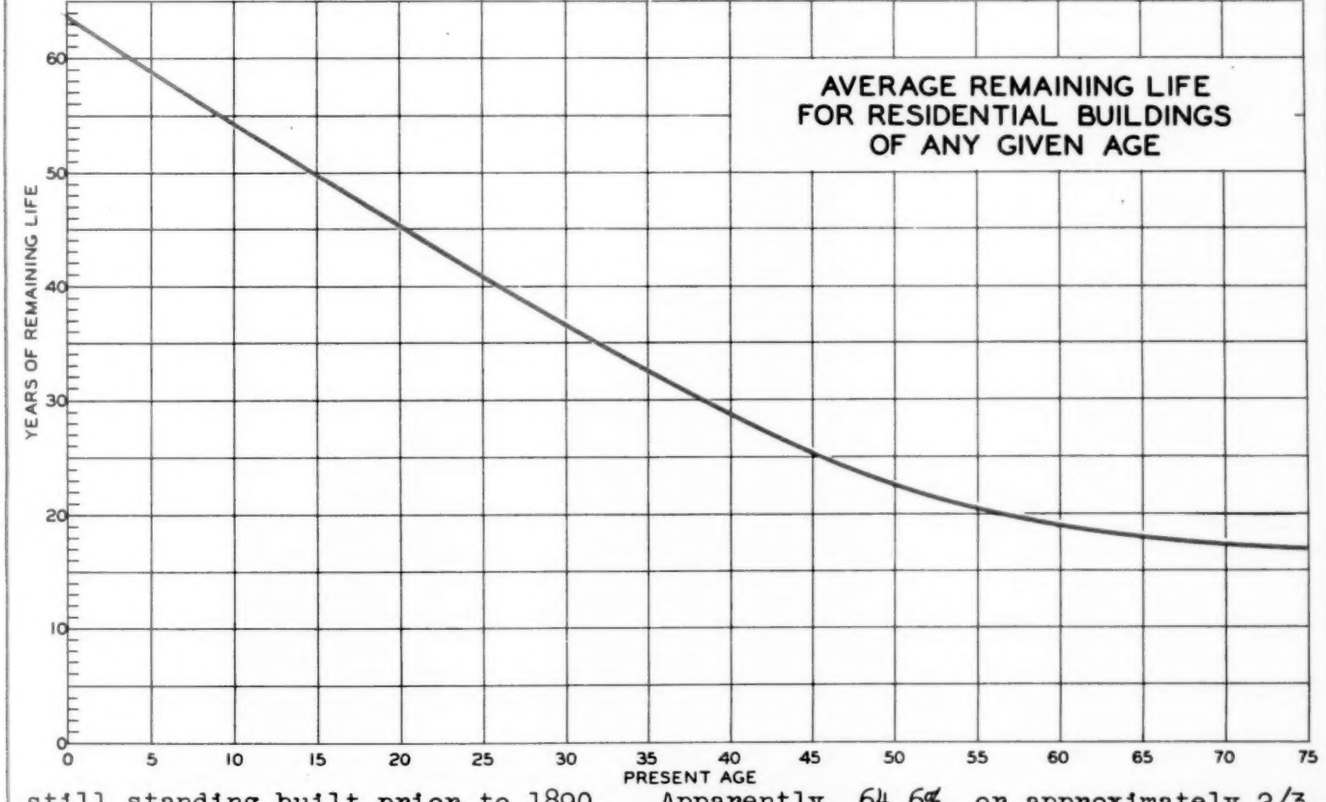
However, Mr. Nelson is speaking of the entire country, and it might be that the St. Louis figures would not be typical of the national experience.

We have one method of checking which should give us a rather definite idea of the amount of demolition which has taken place in the U. S. in the past. The 1940 Census attempted to tabulate the age of each dwelling unit in the U. S. on April 1, 1940. It was not entirely successful in this attempt as of the 37,325,470 dwelling units it found at that time, it was able to tabulate ages on only 34,861,625. Of these, 1,007,541 were 80 years old or older. In other words, the buildings in which these dwelling units were located, had been built prior to 1860. Since the Federal Census has been made each 10 years in the past in the U. S., we can get the figures from the Census of 1860, and we find that at that time there were in the U. S. 5,210,934 families. Prior to 1940 a home was defined by the Census as the place where a family lived. This means that in all of these enumerations the number of occupied dwelling units and the number of families would be approximately equal. Therefore, in 1860 there must have been 5,210,934 occupied dwelling units or homes in the U. S. Since, however, the Census of 1940 could only identify 1,007,541 of these, it would seem that almost 81%, or more than 4/5 of the dwelling units then standing and occupied, are no longer in existence.

If we use the Census of 1880 in place of the Census of 1860 to check against current figures, we find that the Census of 1940 was able to tabulate 2,542,838 dwelling units which were built prior to 1880. In checking the Census of 1880 we find that there were at that time 9,945,916 families in the U. S.,which would indicate that there must have been approximately that number of occupied dwelling units. Since only 2,542,838 are still in existence, 74½%, or approximately 3/4, have been demolished in the intervening period.

Let us make a comparison with the Census of 1890. In 1890 there were 12,690,152 families, but the 1940 Census shows only 4,495,095 dwelling units





still standing built prior to 1890. Apparently, 64.6%, or approximately 2/3, of the dwelling units have disappeared.

The Census of 1900 enumerated 16,187,715 families, but the 1940 Census tabulated only 8,058,942 dwelling units still standing which were built prior